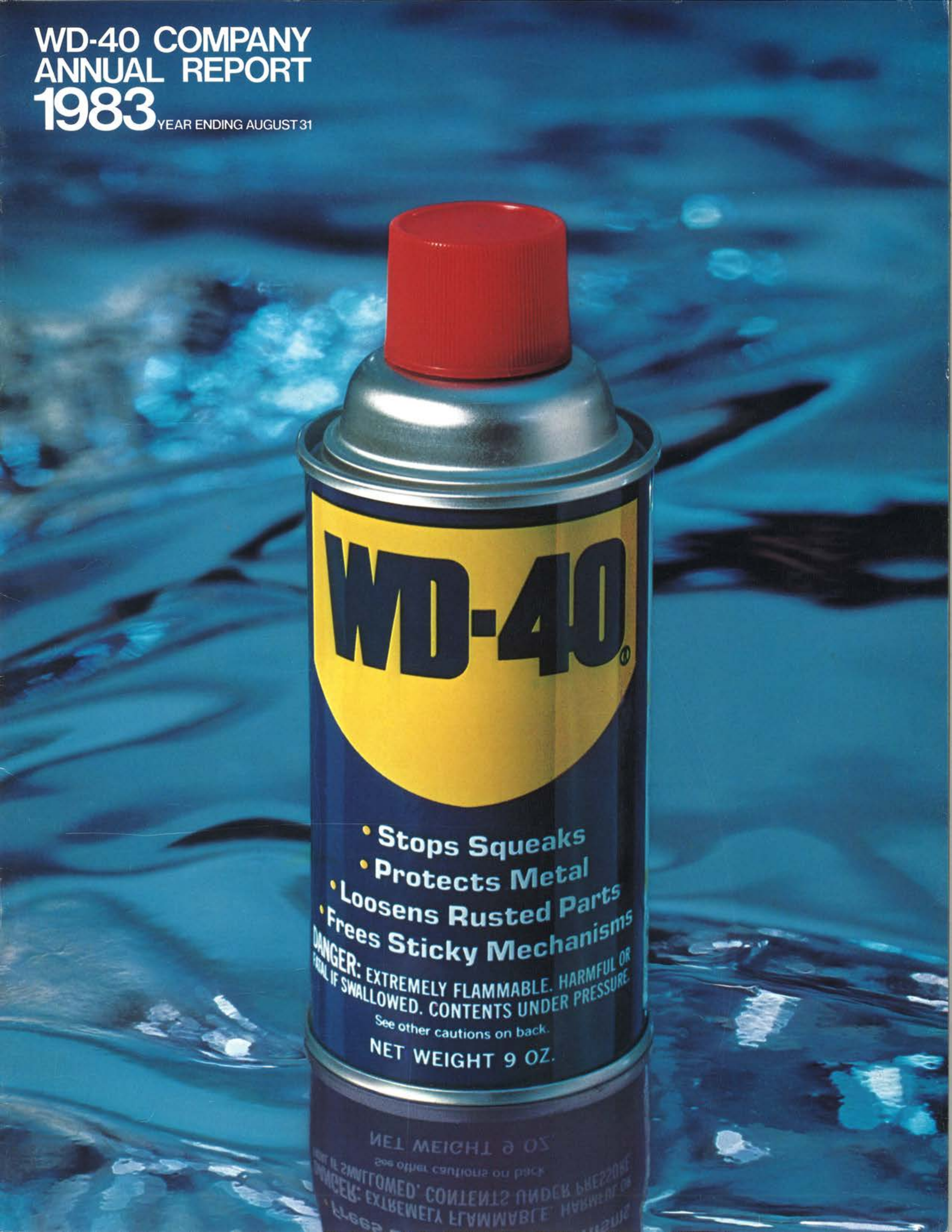
WD-40 COMPANY ANNUAL REPORT 1983

YEAR ENDING AUGUST 31



Highlights of the 3 Years Ended August 31

	1983	1982	1981
Net Sales	$50,188,000	$48,103,000	$44,590,000
Net Income	$ 7,974,000	$ 8,965,000	$ 7,844,000
+Net Income per Share	$1.07	$1.21	$1.06
+Dividends per Share	$ .75	$ .68	$ .60
+Average No. of Shares Outstanding	7,453,598	7,434,834	7,434,270
+Shares Outstanding	7,459,141	7,438,770	7,434,270
Number of Shareholders	1,998	1,399	1,491
Number of Employees	38	37	36

Highlights Fiscal 1983:

- Current Ratio: 9.6 to 1
- Net Income to Average Net Worth: 38.2%
- Debt: None
- Receivables to Sales: 16.5%
- Inventories to Sales: 4.3%
- Sales per Employee: $1,320,737

+Amounts have been restated to reflect the three for one stock split effective April 12, 1983.

October 13, 1983

TO OUR SHAREHOLDERS:

Fiscal 1983 was disappointing in terms of both sales and earnings. The decline in industrial sales was more than offset by fair gains in other segments of the market bringing overall sales to $50,188,000, a modest increase of 4.3% over last year's record, but short of our original goal. The shrink in industrial sales was the result of a soft market rather than competitive inroads.

Earnings fell to $7,974,000, a decrease of 11.1% from fiscal 1982. Net profit after taxes as a percent of sales dropped to 15.9% from last year's all time high of 18.6%. The reduction in profit margin was chiefly the result of advertising and sales promotion expense running 10.0% of sales as compared with last year's 6.4%. Three items went far over budget: consumer rebate claims, co-op advertising claims, and display allowances. While these expenditures advanced our position in the marketplace, the cost far exceeded our expectations. The factors squeezing the profit margin have been modified for Calendar 1984 programs and will be positively impacting earnings by the second quarter of fiscal 1984.

The other income account shrunk by $379,000 principally because of lower interest rates on our Certificates of Deposit.

We are making a concerted effort to get improved distribution in grocery supermarkets which will help us in effectively tapping the female market. The female should be both a buyer and user of WD-40. The success we have already achieved with a prominent grocery chain in the Midwest and South attests to the realism of this goal. This program will probably only have a minor impact on fiscal 1984 results, but it will build long term sales for the Company.

Fine progress is being made by our Canadian subsidiary in establishing WD-40 as a household name as well as a broadly used industrial product in that country.

Our long range plans call for more direct involvement in the English-European-African markets by allowing our license covering that area to expire or by buying back the unexpired portion. It will be several years before this activity starts to pay off.

We plan to return to our record setting pace in both sales and earnings in fiscal 1984.

John S. Barry

John S. Barry,
President

Corporate Objectives
Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40.

The Product
WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the free world. The well-established growth pattern in the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets
WD-40 is distributed to its diverse end-users through a number of trade channels and retail outlets including automotive, industrial, farm, drug, grocery, and mass merchandisers.

We envision substantial growth attainable by both winning new end-users and by increasing consumption rate through product application education.

Competition
As with previous years, numerous new imitator products were introduced into the market, two by billion dollar companies. None has attained a significant sales volume. There seems to be an irresistible lure to jump in and share in the Company's success in spite of the long list of previous failures by companies of all sizes.

In the important retail segment of our market, we are competing for shelf space with the giant marketing companies in the world with products ranging from anti-freeze to light bulbs and razor blades. To survive and grow,our promotional programs must be attractive enough to the trade to win the retail display space we need to capitalize on the impulse nature of WD-40.

Operational Overview
While your Company is technically a manufacturer it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formation, and (3) implementation of marketing plans. Other vital functions handled internally are: order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate is formulated in San Diego and shipped by rail car or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, and Toronto, Canada. These independent sub-contractors package WD-40 to rigid specifications and, upon order from your Company, ship WD-40 to customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Your Company has 31 employees in the United States and 7 in Canada.

International
Your Canadian subsidiary, WD-40 Products (Canada) Ltd., is basically a marketing organization selling WD-40 packaged by a sub-contractor.

Sales in the balance of the free world are handled by a network of distributors or licensees.

While international business contributes less than 10% to sales and earnings it does enhance WD-40's overall image as well as build demand in the United States through "cross pollination".

We intend to get more directly involved in England, Europe, and Africa by allowing the present license covering these areas to expire or by buying back the unexpired portion of the license. This new operation is not expected to make a significant contribution to our earnings for several years.

Capital Requirements — Dividends
The greater involvement in England, Europe and Africa mentioned in the previous paragraph will require an investment in a facility in England as well as working capital. It is anticipated that the funding can be handled internally without changing our dividend policy.

We paid $0.75 per share in fiscal 1983 as compared with $0.68 the previous year, a 10.3% increase over the previous year, after adjusting for the 3 for 1 stock split.

Fiscal 1984
Our plans are to set new sales and earnings records.

Price Waterhouse

600 B STREET, SAN DIEGO, CALIFORNIA 92101
619-231-1200

October 7, 1983

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiary at August 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the three years in the period ended August 31, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended August 31		
	1983	1982	1981
Net sales	$50,188,000	$48,103,000	$44,590,000
Interest, royalty and other income	1,333,000	1,712,000	1,212,000
	51,521,000	49,815,000	45,802,000
Cost and expenses:			
Cost of product sold	21,781,000	20,467,000	19,715,000
Selling, general and administrative	8,626,000	8,170,000	7,351,000
Advertising and sales promotion	5,021,000	3,083,000	2,852,000
	35,428,000	31,720,000	29,918,000
Income before taxes on income	16,093,000	18,095,000	15,884,000
Provision for income taxes (Note 2):			
Federal	6,436,000	7,321,000	6,432,000
State	1,310,000	1,505,000	1,340,000
Foreign	373,000	304,000	268,000
	8,119,000	9,130,000	8,040,000
Net income	7,974,000	8,965,000	7,844,000
Beginning retained earnings	18,333,000	14,448,000	11,065,000
Cash dividends of $.75, $.68 and $.60 per share	(5,588,000)	(5,080,000)	(4,461,000)
Ending retained earnings	$20,719,000	$18,333,000	$14,448,000
Earnings per share (Note 1)	$1.07	$1.21	$1.06

See accompanying notes to consolidated financial statements.

WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

ASSETS

	August 31 1983	August 31 1982
Current assets:		
Cash including certificates of deposit of $9,706,000 and $9,218,000	$11,647,000	$10,011,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of $194,000 and $55,000	8,286,000	9,642,000
Inventories, at the lower of average cost or market:		
Finished goods	1,800,000	1,605,000
Raw materials	361,000	255,000
	2,161,000	1,860,000
Prepaid taxes and expenses	1,899,000	673,000
Total current assets	23,993,000	22,186,000
Property, plant and equipment at cost (Note 1):		
Land	100,000	100,000
Building and improvements	476,000	476,000
Machinery and equipment	759,000	718,000
	1,335,000	1,294,000
Less: Accumulated depreciation	(630,000)	(564,000)
	705,000	730,000
	$24,698,000	$22,916,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1983	1982
Current liabilities:		
Accounts payable	$ 1,493,000	$ 1,365,000
Accrued payroll and related expenses	941,000	793,000
Estimated taxes on income (Note 2)	66,000	1,114,000
Total current liabilities	2,500,000	3,272,000
Deferred income taxes (Note 2)	45,000	45,000
Shareholders' equity:		
Common stock no par value, 9,000,000 shares authorized — shares issued and outstanding of 7,459,141 and 7,438,770 (Note 3)	1,313,000	1,145,000
Paid in capital	121,000	121,000
Retained earnings	20,719,000	18,333,000
Total shareholders' equity	22,153,000	19,599,000
	$24,698,000	$22,916,000

See accompanying notes to consolidated financial statements.

WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended August 31		
	1983	1982	1981
Financial resources were provided by:			
Operations —			
Net income	$7,974,000	$8,965,000	$7,844,000
Depreciation	90,000	104,000	103,000
Provided by operations	8,064,000	9,069,000	7,947,000
Issuance of common stock (Note 3)	239,000	44,000	-0-
Disposition of equipment	4,000	19,000	-0-
	8,307,000	9,132,000	7,947,000
Financial resources were used for:			
Cash dividends	5,588,000	5,080,000	4,461,000
Repurchase of common stock	71,000	-0-	-0-
Additions to plant and equipment	69,000	81,000	46,000
	5,728,000	5,161,000	4,507,000
Increase in working capital	$2,579,000	$3,971,000	$3,440,000
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash	$1,636,000	$ (417,000)	$5,054,000
Accounts receivable	(1,356,000)	2,561,000	1,652,000
Inventories	301,000	435,000	404,000
Prepaid taxes and expenses	1,226,000	95,000	(65,000)
	1,807,000	2,674,000	7,045,000
Decrease (increase) in current liabilities —			
Accounts payable	(128,000)	(61,000)	(831,000)
Accrued payroll and related expenses	(148,000)	(143,000)	(221,000)
Estimated taxes on income	1,048,000	1,501,000	(2,553,000)
	772,000	1,297,000	(3,605,000)
Increase in working capital	$2,579,000	$3,971,000	$3,440,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of accounting policies

Principles of Consolidations

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, WD-40 Products (Canada) Limited. All significant intercompany transactions have been eliminated. Accounts of the Canadian subsidiary have been translated into United States dollars at appropriate rates of exchange. The gain or loss resulting from translation, which was not material in amount, has been included in operations.

Depreciation

Depreciation of plant and equipment has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty years for the plant and three to fifteen years for machinery and equipment.

Earnings per share

Earnings per share are based upon the weighted average number of shares outstanding during each year, giving retroactive effect to the three for one stock split in April 1983, as described in Note 3.

NOTE 2 — Income Taxes

Income tax provisions are computed at the statutory rates in effect for federal, state and foreign authorities, respectively. The provisions for income taxes include the following timing differences:

	Year ended August 31		
	1983	1982	1981
Due to expenses recorded in advance of tax deduction —			
California Franchise Tax	$ (73,000)	$ 49,000	$161,000
Allowance for cash discounts	54,000	7,000	(35,000)
Stock appreciation rights	98,000	52,000	36,000
Other — net	2,000	1,000	-0-
Tax effect of timing differences	$ 81,000	$109,000	$162,000

Investment tax credits, which are not material in amount, are accounted for under the flowthrough method.

NOTE 3 — Common Stock

In March 1983, the Board of Directors authorized an increase in the number of authorized common shares from 3,000,000 to 9,000,000 and split the shares issued and outstanding three for one to shareholders of record on April 12, 1983. Shares of common stock, earnings and dividends per share, stock options and prices at which options are exercisable have been computed giving retroactive effect to the stock split.

The Company has a Non-Qualified Stock Option Plan under which officers and key employees of the Company may be granted options to purchase an aggregate of not more than 180,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options for 49,200 shares were granted September 1979 at $9.83 per share which brought the aggregate number of options issued under the Plan to the maximum allowable amount of 180,000 shares. The Plan terminated in October 1982. During 1981 the Company issued Stock Appreciation Rights (SAR) covering the 49,200 stock options granted September 1979 at $9.83 per share. The charge to income with respect to the granted SAR approximated $320,000 in 1983, $98,000 in 1982 and $78,000 in 1981.

During the year ended August 31, 1982, stock options for 4,500 shares and the related SAR were exercised. The SAR value when exercised approximated $14,000 and was applied against the option price of approximately $44,000, generating $30,000 of net cash proceeds to the Company. Stock options for 44,700 shares were outstanding at August 31, 1982. During the year ended August 31, 1983, stock options for 16,200 shares and the related SAR were exercised. The SAR value when exercised approximated $137,000 and was applied against the option price of approximately $159,000, generating approximately $22,000 of net cash proceeds to the Company. Stock options for 28,500 shares were outstanding at August 31, 1983.

In November 1981, the shareholders approved an Incentive Stock Option Plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of ten years. Options for 34,275 shares were granted in March 1982, at $10.83 per share and became exercisable in March 1983. During the year ended, August 31, 1983, stock options for 7,371 shares were exercised. Stock options for 26,904 shares were outstanding and options for 205,725 shares were available for grant under the plan at August 31, 1983.

NOTE 4 — Profit Sharing Plan

The Company has a Profit Sharing Plan for the benefit of its regular full-time employees, including officers. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1983, 1982 and 1981 approximated $188,000, $161,000 and $152,000, respectively.

Quarterly Financial Information

The following table sets forth certain quarterly financial information for the two years ended August 31, 1983.

Quarter ended:	Net Sales	Gross Profit	Net Income	Earnings Per share
November 30, 1981	$10,541,000	$ 5,949,000	$1,637,000	$ .22
February 28, 1982	11,388,000	6,582,000	2,177,000	.30
May 31, 1982	13,109,000	7,864,000	2,754,000	.37
August 31, 1982	13,065,000	7,241,000	2,397,000	.32
	$48,103,000	$27,636,000	$ 8,965,000	$1.21
November 30, 1982	$11,092,000	$ 6,302,000	$ 1,628,000	$ .22
February 28, 1983	12,960,000	7,279,000	2,115,000	.28
May 31, 1983	14,791,000	8,320,000	1,985,000	.27
August 31, 1983	11,345,000	6,506,000	2,246,000	.30
	$50,188,000	$28,407,000	$ 7,974,000	$1.07

The quarterly financial information has been restated to reflect the three for one stock split effective April 12, 1983.

COPY OF FORM 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1983 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, CA 92110.

STOCK INFORMATION

	Fiscal 1983			Fiscal 1982		
Period	High	Low	Dividend	High	Low	Dividend
First Quarter	$20½	$13¾	$.18	$13½	$10½	$.17
Second Quarter	22¼	17¾	.18	13¾	10½	.17
Third Quarter	32¼	20½	.19	12¼	9½	.17
Fourth Quarter	28½	21	.20	14	11½	.17

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices, adjusted to give retroactive effect to the three for one stock split which was effective April 12, 1983.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE LAST THREE FISCAL YEARS OF OPERATIONS (SEE SUMMARY OF OPERATIONS ON PAGES 9 AND 10)

Liquidity

The Company does not anticipate any liquidity problems.

Capital Generation

The Company generates all the capital it needs.

Sales

Sales growth rates for fiscal 1981 through 1983 respectively were: 24.5%, 7.8%, and 4.3%. A price increase of about 15% in fiscal 1981 boosted the growth for that year.

Cost of Products Sold

Product cost as a percent of sales has been reasonably stable for the past three fiscal years: 44.2%, 42.6%, and 43.4%.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses as a percent of sales for fiscal 1981 through 1983 has drifted upward slightly: 16.5%, 17.0%, and 17.2%.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses for fiscal 1981 and 1982 ran 6.4% as a percent of sales then jumped to 10.0% in 1983. The latter was the result of unexpected high expense in consumer rebate claims, co-op advertising claims, and display allowances.

Board of Directors

John S. Barry	President, Treasurer
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Harlan F. Harmsen	Secretary
Margaret L. Roulette	Investor
C. Fredrick Sehnert	Chairman of the Board and Chief Executive Officer KRATOS, Inc.
Lucia D. Taylor	Investor

Officers

John S. Barry	President, Treasurer
Gerald C. Schleif	Vice President — Marketing
Harlan F. Harmsen	Secretary; Attorney, Harmsen, Carpenter & Wilkinson
E. Gianni	Assistant Secretary

General Counsel

Harmsen, Carpenter & Wilkinson

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

California First Bank, 8155 Mercury Court, San Diego, California 92112

Corporate Office

1061 Cudahy Place
San Diego, California 92110
619/275-1400

Annual Meeting

2:00 PM, November 28, 1983
Sunrise Room
Town & Country Hotel
500 Hotel Circle North
San Diego, California 92109

Listed

Over the Counter. NASDAQ National Market System effective November 22, 1983.
Symbol WDFC

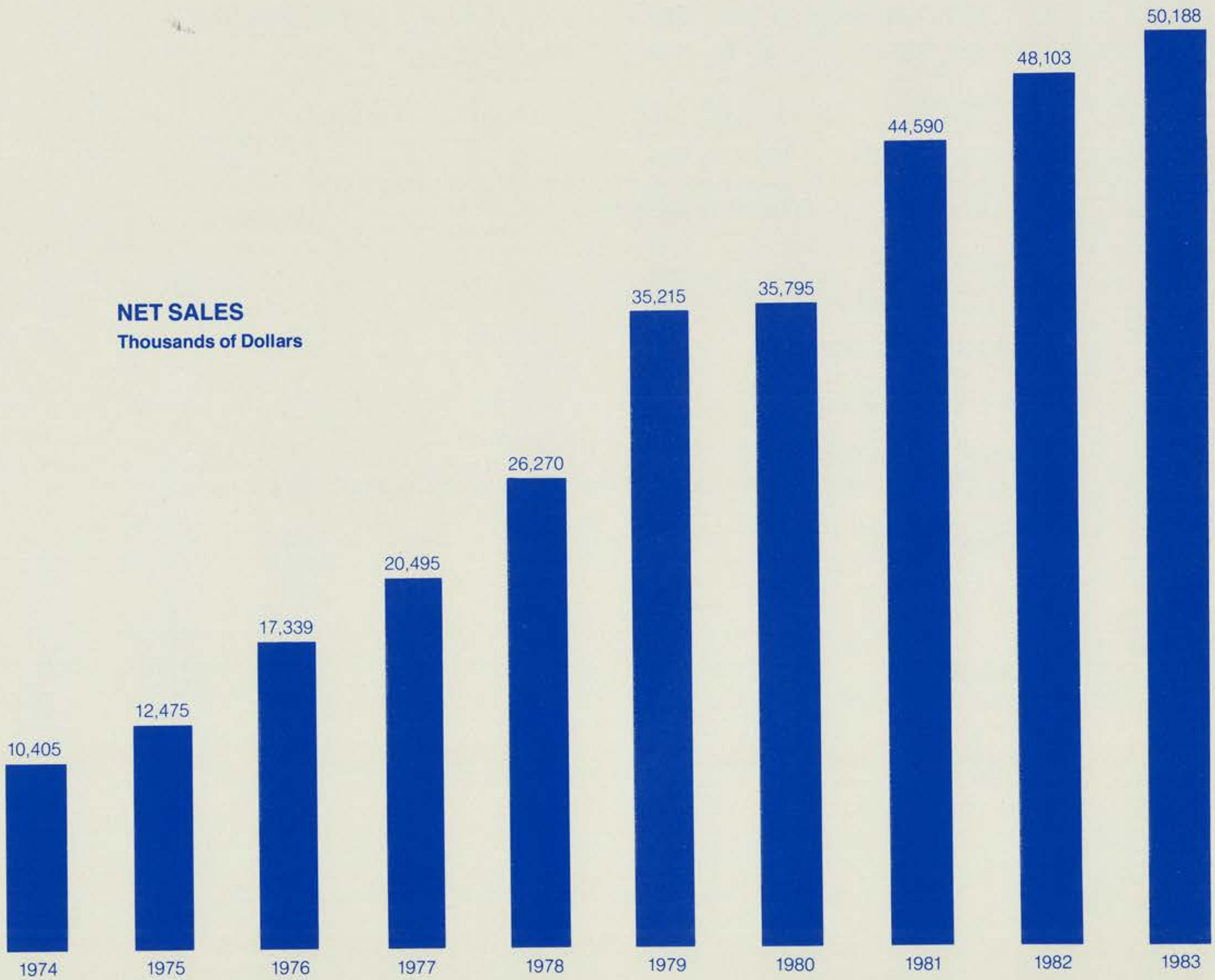
TEN YEAR SUMMARY (1)

FISCAL YEAR ENDED AUGUST 31

	1974	1975	1976
Net sales	$10,405,000	$12,475,000	$17,339,000
Cost of products sold	4,392,000	5,863,000	7,929,000
Gross profit	6,013,000	6,612,000	9,410,000
Selling, advertising, general and administrative expenses	2,877,000	3,483,000	4,918,000
Interest, royalty and other income	193,000	210,000	229,000
Income before taxes on income	3,329,000	3,339,000	4,721,000
Provision for income taxes	1,736,000	1,738,000	2,468,000
Net income	$ 1,593,000	$ 1,601,000	$ 2,253,000
Earnings per share (2)	$ .22	$ .22	$ .31
Cash dividends per share (3)	$ .13	$ .13	$ .16
Total assets	$ 3,216,000	$ 4,165,000	$ 5,942,000
Number of employees	23	24	27

(1) Includes the accounts of the Company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated. See Management's Discussion and Analysis of Operations of the three years ended August 31, 1983 on page 7.

(2) Earnings per common share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the two for one stock split in October 1978 and the three for one stock split in April 1983. The weighted average number of shares outstanding during

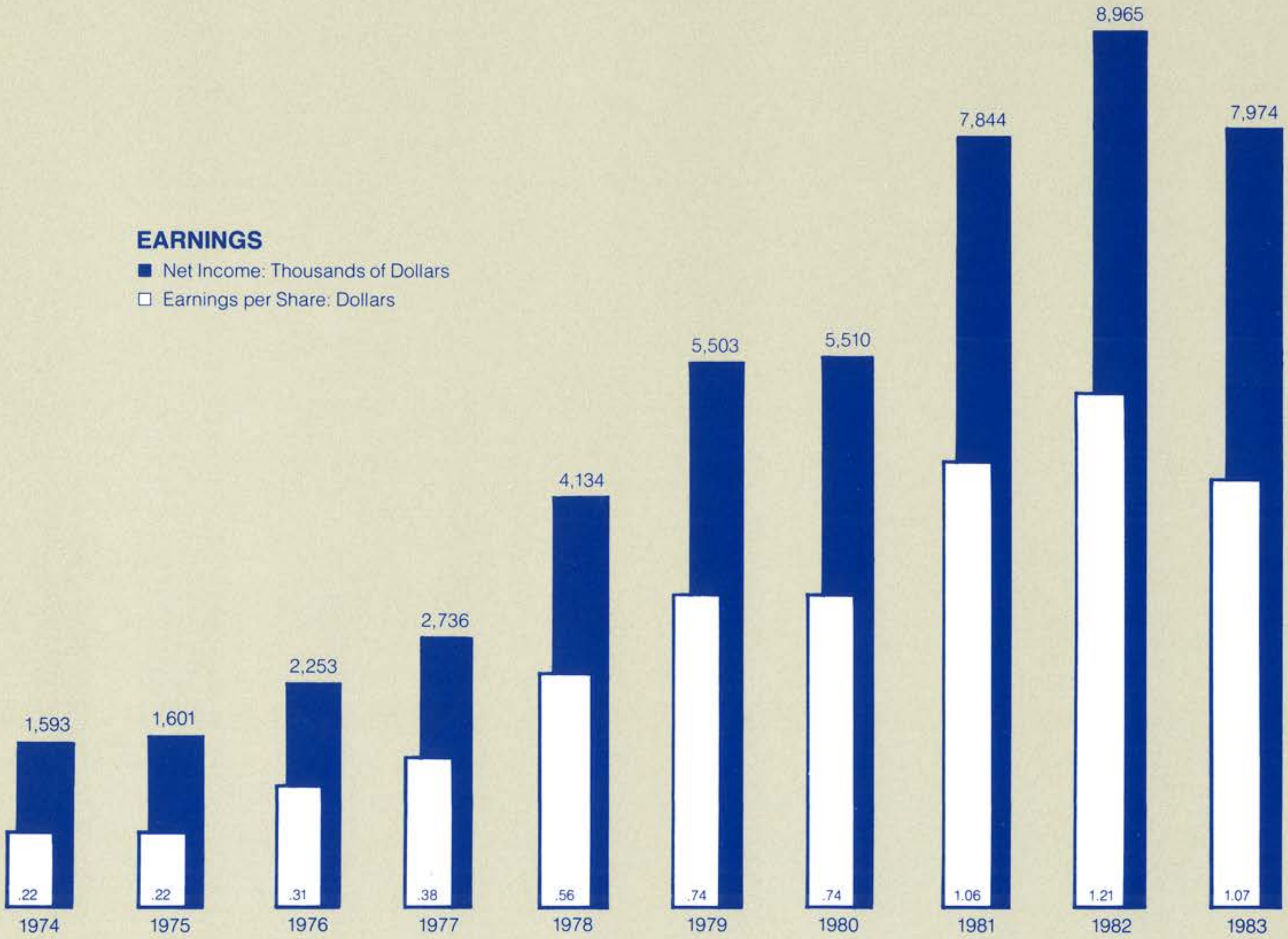


1977	1978	1979	1980	1981	1982	1983
$20,495,000	$26,270,000	$35,215,000	$35,795,000	$44,590,000	$48,103,000	$50,188,000
9,230,000	10,957,000	15,503,000	16,106,000	19,715,000	20,467,000	21,781,000
11,265,000	15,313,000	19,712,000	19,689,000	24,875,000	27,636,000	28,407,000
5,812,000	7,200,000	9,154,000	9,519,000	10,203,000	11,253,000	13,647,000
296,000	491,000	706,000	942,000	1,212,000	1,712,000	1,333,000
5,749,000	8,604,000	11,264,000	11,112,000	15,884,000	18,095,000	16,093,000
3,013,000	4,470,000	5,761,000	5,602,000	8,040,000	9,130,000	8,119,000
$ 2,736,000	$ 4,134,000	$ 5,503,000	$ 5,510,000	$ 7,844,000	$ 8,965,000	$ 7,974,000
$ .38	$ .56	$ .74	$ .74	$1.06	$1.21	$1.07
$ .18	$ .27	$ .40	$ .52	$ .60	$ .68	$ .75
$ 7,556,000	$10,446,000	$13,352,000	$13,296,000	$20,284,000	$22,916,000	$24,698,000
31	32	35	36	36	37	38

the years ended August 31, 1974 through 1976, the year ended August 31, 1977, the year ended August 31, 1978, the years ended August 31, 1979 through 1981, the year ended August 31, 1982, and the year ended August 31, 1983 were 7,303,470, 7,303,698, 7,414,278, 7,434,270, 7,434,834 and 7,453,598, respectively.

(3) The cash dividends paid per common share have been retroactively restated to give effect to the October 1978 and April 1983 stock splits.

EARNINGS



WD-40 Company 1061 Cudahy Place, San Diego, California 92110